

Service Date: December 6, 2006

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER OF the Consideration)	
of the Adoption of Energy Policy Act of)	UTILITY DIVISION
2005 Standards Regarding Net Metering,)	
Fuel Diversity, Fossil Fuel Generation)	DOCKET NO. N2006.5.60
Efficiency, Smart Metering, and)	ORDER NO. 6792
Interconnection)	

FINAL ORDER

INTERVENORS:

NorthWestern Energy
Montana-Dakota Utilities
Montana Consumer Counsel
Renewable Northwest Project and Natural Resources Defense Council
Lee Tavenner

Before:

Greg Jergeson, Chairman
Brad Molnar, Vice Chairman
Doug Mood, Commissioner
Robert H. Raney, Commissioner
Thomas J. Schneider, Commissioner

Commission Staff:

Bryan Baldwin, Utility Division
Eric Dahlgren, Utility Division
Will Rosquist, Utility Division
Al Brogan, Staff Attorney

INTRODUCTION

1. In this order the Montana Public Service Commission (PSC or Commission) issues decisions related to its consideration of the federal standards for public utilities in section 111(d)

of the Public Utility Regulatory Policies Act of 1978 (PURPA) as amended by the Energy Policy Act of 2005 (EPACT).

2. On May 5, 2006, the Commission issued a Notice of Inquiry and Opportunity to Comment for the purpose of considering the new federal standards. The Commission invited comments from public utilities and other interested persons. The deadline for initial comments was June 16, 2006. The deadline for response comments was July 28, 2006. The Commission stated that it intended for initial and response comments to provide the basis for its decisions (a paper hearing).

3. The Commission received initial comments from NorthWestern Energy (NWE), Montana-Dakota Utilities (MDU), Montana Consumer Counsel (MCC), Renewable Northwest Project and Natural Resources Defense Council (RNP-NRDC) and Lee Tavenner. No response comments were filed.

4. At a noticed and open work session on November 21, 2006, the Commission discussed the merits of adopting the five new federal standards.

INTERVENOR COMMENTS

NorthWestern Energy

5. NWE comments that the exemption for prior state actions in 16 U.S.C. 1621(d) applies to the federal net metering and fuel diversity standards for restructured utilities in Montana. NWE is a restructured utility subject to §§ 69-8-601 - 605, MCA, enacted in 1999, that impose a net metering standard on restructured utilities.

6. With respect to fuel diversity, NWE asserts that the Electric Utility Restructuring and Customer Choice Act, Title 69, Chapter 8, MCA, requires default supply utilities to provide adequate and reliable service at the lowest cost and conduct an efficient supply resource planning and procurement process that evaluates the full range of cost-effective supply and demand-side resources. NWE notes that the Commission adopted rules pursuant to its authority under Title 69, Chapter 8, MCA regarding default supply resource planning and acquisition. These rules require default supply utilities to maintain an optimal mix of supply-side and demand-side

resources, and maintain power purchase contracts that are diverse in terms of underlying fuels, generation technologies and associated environmental impacts. Therefore, NWE concludes, the standards for net metering and fuel diversity enacted by the Montana legislature for restructured utilities clearly fall within the exemptions included in the 2005 EPACT.

7. NWE recommends against adopting the federal smart metering standard. NWE states it has been evaluating the costs and benefits of smart metering. NWE believes time-based rate programs would be appropriate in some markets, for some types of customers and in certain situations. In contrast, the federal standard would make time-based pricing available for any and all types of customers, regardless of the utility's power supply/generation situation, cost structure or service territory characteristics.

8. NWE maintains that load and customer densities strongly influence the economics of time-based pricing; higher densities improve the economics while lower densities make the economics worse. The federal standard would require utilities to invest in expensive billing, metering and communications system upgrades in order to be prepared to offer time-based pricing to any and all customer requests for such pricing anywhere in its service territory. NWE does not believe, given its sparsely populated service territory, that the additional investment it would need to make would be justified by power cost savings. NWE asserts, without providing any detail, that recent experience by Puget Power with a mandatory time-of-use pricing program, as well as its own preliminary analysis of potential demand-response resources, support this conclusion.

9. As an alternative to the federal standard, NWE recommends that the Commission consider allowing utilities time to perform additional investigations, develop experience, conduct field trials and complete and present follow-up analysis that would assist the Commission in making a more informed decision on smart metering and time-based pricing programs.

10. NWE comments that the Commission should not adopt the federal interconnection standard. According to NWE the federal interconnection standard is generally very broad, with one exception; the federal standard would require the utility to make available, on request, interconnection services to any electric consumer it serves. The federal standard would also require such interconnection services to meet IEEE 1547. NWE maintains IEEE 1547 covers

only basic technical aspects of interconnected resources, like distributed generators, including performance, operation, testing, safety and maintenance. Further, IEEE 1547 criteria are limited to 10 MVA capacity or less, connected to primary or secondary distribution systems. NWE states other interconnection issues not addressed by IEEE 1547 will likely arise, such as study requirements (feasibility, system impact, facilities), mitigation of system impacts and project scheduling and business/tariff issues. Other issues include ownership and maintenance of the system, responsibility for needed transmission/distribution upgrades and time allowed for the utility to respond to a request for interconnection.

11. NWE notes that it offers interconnection services comparable to the services envisioned by the new federal standard, including interconnection services related to net metering. If the Commission decides to adopt the federal standard, or a variation of it, NWE recommends that it reflect the importance of coordinating interconnection activities with FERC Standard 2006-A for small generation interconnection (< 20 MW) and FERC Standard 2003-C for larger generation interconnection (> 20 MW), in addition to the IEEE 1547. NWE also states that any interconnection standard the Commission adopts should allow flexibility to address system specific concerns and related business/tariff issues.

Montana-Dakota Utilities

12. MDU does not believe there is a compelling case for adopting the five EPACT standards and maintains energy policy in Montana is currently ahead of what is being considered at the federal level.

13. MDU states the Commission should not consider the federal net metering standard because the Montana legislature has already considered and adopted a net metering requirement. According to MDU, the legislature decided to apply net metering only to restructured utilities and specifically exempted MDU. Additionally, the legislature decided to limit net metering to customers generating 50 kW or less.

14. MDU maintains that even if Montana had not already enacted a net metering standard, the Commission should not adopt the federal standard. MDU states that although net metering

provides substantial financial incentives for customers interested in self-generation, it does so at the expense of non-participants. Since net metering policies require utilities to pay generating consumers full retail rates, MDU believes that this could result in significant subsidies if a utility's retail rate structure does not accurately reflect separate cost components for energy, capacity, and customer-related services. The utility may end up paying customer-generators for power at rates that include distribution, transmission, utility operating and maintenance expenses and utility administrative and general expenses. MDU also asserts net metering may reduce aggregate system efficiency if efficient utility-owned generation is displaced by inefficient customer-owned generation.

15. MDU maintains the Commission should not adopt the generation fuel diversity standard because the Montana legislature has already adopted comparable standards under the Montana Integrated Least-Cost Resource Planning Act (IRP Act) and the Montana Renewable Power Production and Rural Development Act (Renewable Act). Under the IRP Act, MDU objectively determines generation fuel type through the application of least-cost planning principles and directs the appropriate selection of generation resources and fuel types under a cost effectiveness test. Under the Renewable Act, a portion of each jurisdictional utility's generation portfolio is set aside for a specific fuel type, cost-effective renewable resources. The Renewable Act complements the IRP Act, as the resource specification set out in the Renewable Act incorporates the same principles of cost-effectiveness contained in the IRP Act. MDU maintains it would violate both the spirit and letter of the IRP Act for the Commission to subjectively determine a generation fuel mix without reference to the Act.

16. Even in the absence of the IRP and Renewable Acts, MDU states the Commission should not adopt the EPACT fuel diversity standard. Given the fuel choices at its disposal, MDU does not believe the federal standard would be meaningful. MDU lacks nuclear and hydroelectric facilities and 366 MWs (75%) of its 490 MWs of company owned generation are fueled by coal. The remaining 124 MWs (25%) are fueled by either natural gas or fuel oil. MDU notes its service territory is located in the middle of the largest coal reserves in the world, in the middle of a large area of natural gas reserves and in an area with significant potential for wind development. MDU

said these factors and least cost planning principles should determine its fuel mix and drive resource optimization and fuel choice. MDU states there is no good reason to depart from the existing standard for determining generation resource choice and corresponding fuel mix.

17. MDU recommends against adopting the fossil fuel generation efficiency standard. According to MDU, its retail load requirements and participation in the MISO market provide necessary incentives to wring out all available efficiencies in its existing generation, which presently consists entirely of fossil fuels. MDU states it has been a leader in refurbishing existing thermal generation with its installation of a fluidized bed in the Heskett #2 Generation Station. MDU notes that the heat rates of its combustion turbines (CTs) are largely fixed by plant design and heat rates of coal units are largely determined by boiler design and choice of coals. MDU states the boilers and ash handlers on its existing coal-fired facilities are designed to use the lignite coal available in its service territory. Although the newer boilers, such as the 1975 boiler at the Big Stone Generating Station, have been successfully modified to use sub-bituminous coal, MDU maintains this is not a realistic option for the older plants.

18. Efficiency standards for coal-fired plants are also constrained by the regulation of air emissions under the laws of the states in which the plants are located. MDU notes that only one of its generation resources, the 48 MW Lewis and Clark Station in Sidney, is located in Montana. MDU asserts that adopting the EPACT efficiency standard would commit both the Commission and MDU to a significant compliance task with little ability to practically implement it.

19. MDU recommends that the Commission reject the federal smart metering standard. MDU argues that a mandatory flash-cut adoption of smart metering seems ill advised and highly risky for MDU and its customers. According to MDU, the smart metering standard would require MDU to offer time-of-use pricing (TOU), critical peak pricing (CPP), and real-time pricing (RTP) to all of its electric customers. In turn, MDU would have to equip, or be prepared to equip, its Montana customers with advanced metering technology. MDU and the Commission would have to devote significant resources to preparing and analyzing a detailed cost-of-service study to measure and allocate the cost of service and establish billing determinants for the required rate structures. MDU asserts the cost to customers of implementing the smart metering

standard could be very large, depending on whether costs are recovered from participants or all customers.

20. MDU states the smart metering standard raises an important policy question regarding whether the rates should be optional or mandatory. MDU asserts under optional rates only customers who benefit would subscribe while the cost-causers would remain on existing rates. With mandatory rates customers could face substantial price risk. Capital costs for the required metering infrastructure could also be a significant additional burden.

21. MDU recommends a measured and cautious approach, for example through selective consideration in future rate cases. However, MDU notes such an approach is only possible if the Commission first rejects the EPACT standard. MDU states it currently offers time-of-use and dual fuel rates, and provides customers consumption data and load management programs. MDU concludes an incremental approach to expanding these services is superior to the flash-cut approach in the EPACT standard.

22. MDU recommends that the Commission not adopt the interconnection standard as it neither addresses nor fixes any problems for MDU, its customers, or independent power producers. MDU asserts the federal interconnection standard does little more than endorse IEEE 1547 for Interconnecting Distributed Resources with Electric Power Systems, which reflects a collaborative effort between engineers, regulators, utilities and others to implement general guidelines for interconnection. IEEE 1547 was developed to outline the minimum operational requirements that are universally needed to help ensure a technically sound interconnection. According to MDU, IEEE 1547 is incomplete and planned supporting documents, i.e., IEEE 1547.2 – IEEE 1547.6, have not been written and affirmed. The current IEEE 1547, with the exception of isolation devices, does not specify hardware and other equipment needed for safe and reliable interconnection or even specify how an interconnection is to be made. According to MDU, these details have been left up to the interconnecting parties, which is already industry practice and MDU standard protocol.

23. IEEE 1547 is not the IEEE's first attempt to standardize interconnection for distributed generation. In 1988, the IEEE created the interconnection standard ANS/IEEE Standard 1001-

1988 (Standard 1001 – 1988). MDU notes Standard 1001-1988 included greater detail on hardware and equipment standards than does, and likely will, IEEE 1547. Standard 1001- 1988 was essentially designed to fit a specific type of grid and did not work well as a uniform interconnection design. As a result, MDU, relying heavily on the information contained in Standard 1001 -1988, developed its own interconnection designs that would operate safely at the locations and conditions likely to be encountered on the MDU system. MDU states its current interconnection guideline contains 19 different interconnection designs. Many slight variations of these designs are possible if necessary to meet the needs of the generator while maintaining grid integrity. MDU characterizes its interconnection guideline as a technical aid to the parties designing the interconnection.

24. MDU indicates it plans to revise its interconnection guidelines as necessary to incorporate the IEEE 1547 standards, as they evolve. But MDU states it would not be appropriate to blindly declare adherence to them as specified in the EPACT standards. For example, if MDU had declared blind adherence to the 1001 – 1988 standards before they were adopted, it would have been impossible to design the safe and effective interconnections it has.

Montana Consumer Counsel

25. MCC comments that the EPACT standards are worth considering, however, only in the context of affordable rates and acceptable risk for ratepayers and the long-term viability of utilities.

26. MCC notes that Montana already has a net metering standard that allows customers to carry forward excess generation up to the start of the next quarter-year, after which they lose any accumulated credit. Net metering participants must pay customer-related charges as well as bear the cost of all equipment required for safety and reliability. The law requires the Commission to determine if there are metering requirements and costs beyond those of traditional metering, with a stated preference for imposing those costs on the net-metered customer, rather than spreading them across all ratepayers.

27. MCC asserts there are potential flaws in Montana's present net metering requirements that may result in the non-participants subsidizing the activities of net-metered customers. First, the rate includes distribution and transmission costs that may be unrelated to energy usage. Second, the net-metered customers' power deliveries back to the utility may impose transmission and distribution costs on the utility. Finally, because on-site generation is credited at the full energy rate regardless of the value of the power at the time of delivery, there may be times when the value of the power delivered may be less than the price seen by the customer. MCC recommends that if the Commission chooses to address the net metering issue, it should evaluate the impact of the benefits and costs to the non-participants and whether separate metering and rates are appropriate to ensure that net metering, at a minimum, does not allocate additional cost to the non-participants.

28. MCC states that fuel diversity is desirable because it mitigates risk for a utility's customers. MCC then comments that the Commission has already addressed this issue in the treatment of risk in the default supply portfolio guidelines and no further action is needed.

29. MCC states the fossil generation efficiency standard does not appear to be relevant to NWE at present because, as a default supply utility, it does not own any generation. MCC notes that NWE's fractional share in Colstrip 4 is non-jurisdictional and NWE is incapable of implementing a ten-year plan to improve efficiency due to its reliance on other utilities for generation. MCC believes a plan to improve efficiency in Montana would be a good idea, but would require cooperation between one jurisdictional utility, three utilities subject to the jurisdiction of other commissions and one non-jurisdictional utility. MCC asserts that a generation efficiency standard that applies only to vertically-integrated jurisdictional utilities could be worth pursuing, subject to the caveat that the goal is minimizing long-run costs to ratepayers, not achieving efficiency for its own sake.

30. MCC asserts smart metering is a concept that is theoretically appealing because it would convey to customers the real-time value of their consumption and allow them to adjust their behavior. From a societal perspective, it should result in a move toward economic optimality. Additionally, it has potential for lowering portfolio costs for the utility. However, MCC identifies

several issues that should be considered. First, the cost of metering may deter customers who would otherwise benefit from participation or may result in unnecessary waste if spread across the customer base. Second, friction costs related to monitoring real-time prices, calculating the value of consumption and shifting use patterns may discourage customers from participating in smart metering. Finally, implementation costs to the utility may be considerable and may not be considered by customers if they are spread across the customer base. MCC recommends the Commission pursue the following process:

- a. Request each electric utility estimate the costs of metering and the costs of implementation, the customer characteristics likely to make smart metering worth pursuing for the individual customer, the likely participation rates and the benefits to the customers and utility;
- b. Evaluate the costs and benefits to the utility, to participants and to non-participants; and
- c. If the Commission decides to pursue a smart metering initiative, it should limit the recovery of net metering costs and administration cost from ratepayers in general to an amount commensurate with likely benefits that would be received by all ratepayers, not just participants.

Renewable Northwest Project, Natural Resources Defense Council

32. RNP-NRDC comments generally that a sound energy policy is one that is uniformly applied. RNP-NRDC recommends that the Commission work to promote responsible, state-wide energy policies.

33. RNP-NRDC notes the legislature adopted a net metering policy for distribution utilities comparable to the federal standard. RNP-NRDC states that, as far as NWE is concerned, Montana's law is sufficient and the Commission need not act.

34. However, RNP-NRDC states the Montana net metering law was codified incorrectly in Title 69, Chapter 8. As a result, MDU may not be subject to the law because § 69-8-201(9) allows utilities that do not operate within the Columbia River Basin to defer compliance with the

chapter. RNP-NRDC recommends the Commission impose on MDU the same net metering requirements that are imposed on NWE.

35. RNP-NRDC identifies two key considerations related to interconnection. First, interconnection standards should not disadvantage small-scale distributed generation. Second, uniformity, both within a state and between states, is vital in order to facilitate distributed technologies. RNP-NRDC notes much has been done nationally to promote reasonable, appropriate and uniform interconnection procedures and agreements. RNP-NRDC points out that the 2005 EPACT referenced the National Association of Regulatory Utility Commissions (NARUC) model standards as “current best practices.”

36. RNP-NRDC recommends that the Commission devise standard interconnection procedures and agreements for utilities to follow, considering existing standards and the NARUC model. Given that interconnection issues can be complex and involved, RNP-NRDC also suggests that the Commission convene a technical conference for purposes of working through the issues with interested parties. RNP-NRDC recommends that the end result of a technical conference should be a set of interconnection procedures and agreements for utilities and generators to follow.

37. RNP-NRDC states both NWE, in its default supply plan, and MDU, in its integrated resource plan, must evaluate the benefits of a diverse fuel supply, but neither utility is required to actually develop a plan to minimize its dependence on one fuel source. Rather, RNP-NRDC states, both utilities remain heavily dependent on coal. RNP-NRDC recommends that the Commission adopt the federal fuel diversity standard and incorporate it into the default supply guidelines and integrated resource planning rules. Further, RNP-NRDC recommends requiring both NWE and MDU to undertake comprehensive, peer-reviewed studies of wind integration on their systems. The studies would be designed to illuminate the ability of each utility to accommodate wind generation.

Lee Tavenner

38. Mr. Tavenner comments that Montana already has a net metering law that largely addresses the federal standard. However, he notes the Montana law does not provide for payments to customer generators for net energy delivered to the utility. He recommends that the Commission revisit this issue and develop a standard payment for such net energy production.

39. Mr. Tavenner believes it would be appropriate for the Commission to review the issue of fuel diversity. He states many proposed electric resource additions are dependent on fossil fuels, which introduces risk to electric rate stability. He recommends establishing policies that promote the reduction of that risk.

40. Mr. Tavenner states that renewable resources are an important element of fuel diversity. He asserts analysts are quick to note the intermittent nature of renewable energy and slow to recognize the absence of fuel cost risk. He believes properly assessing fuel diversity involves assessing the long-term advantages of renewable energy not subject to fuel cost risk.

41. Mr. Tavenner recalls that electric line extensions were previously included in the rate base and the associated costs were recovered from all electric customers. Now that practice is limited to short extensions with the cost of longer extensions being charged to the customers that request them. That policy, according to Mr. Tavenner, reflects equity and economic considerations. Similarly, he states, time-of-use metering is also a matter of fairness. He questions whether heavy users of expensive peak power should be subsidized by those using inexpensive off peak power. Finally, he states smart metering is also a matter of economics. With smart metering, electric rates can be designed to convey the cost of consuming power at different times.

COMMISSION DISCUSSION AND DECISIONS

42. The Commission does not need to make a determination regarding adoption of the federal net metering standard in PURPA § 111(d)(11) as it applies to NWE due to the prior state actions provisions in PURPA § 112 (d)(3). NWE is a restructured utility and the Montana

Legislature has already voted on the implementation of Net Metering for restructured utilities (see Title 69 Chapter 8 Part 6, MCA.).

43. The Commission will defer a determination on applying the federal net metering standard to MDU until after the 2007 Montana Legislative session. The Commission is not required to complete a determination regarding net metering until August, 2008. It appears the 2007 Montana Legislature may consider revisions to net metering laws that may affect the Commission's consideration under PURPA. At least one bill draft request, LC0835, would expand Montana's net metering requirement to MDU. Therefore, deferring consideration of the federal net metering standard for MDU is reasonable.

44. The Commission notes that, contrary to MDU's comments, the Montana Legislature has not considered the merits of net metering for MDU consistent with PURPA § 112 (d)(3). From its introduction to its passage, Senate Bill 409 in the Fifty-Sixth Legislature (1999) addressed net metering for restructured utilities only. Therefore, the Legislature did not specifically vote on net metering for MDU and MDU's assertion that prior legislative action exempts it from the federal net metering standard is incorrect. The Commission also finds RNP-NRDC erred in concluding that the net metering law was codified incorrectly. The Legislature specifically required codification of the law in Title 69, Chapter 8, Electric Utility Industry Restructuring and made its provisions subject to the provision of Title 69, Chapter 8. Act of April 16, 1999, ch. 323, § 7, 1999 Mont. Laws 1205. The Commission will revisit the merits of applying the federal net metering standard to MDU following the 2007 Montana Legislative session.

45. The Commission declines to adopt the federal fuel diversity standard in PURPA § 111(d)(12). The Montana Legislature previously addressed fuel diversity through requirements for default supply resource planning and procurement (Section 69-8-419, MCA) and requirements for integrated least-cost resource planning and acquisition (Section 69-3-1201 et seq, MCA). In addition, the Commission adopted rules implementing both statutes (see ARM 38.5.8201-8226 and ARM 38.5.2001-2012). The Montana Renewable Power Production and Rural Economic Development Act requires public utilities to procure a minimum of 15% of its retail sales of electrical energy in Montana from eligible renewable resources, beginning in compliance year

2015 (Section 69-8-1001 et seq, MCA). Through this combination of statutes and Commission rules, the Commission can adequately achieve the stated EPACT goal of minimizing dependence on one fuel source.

46. The Commission also declines to adopt the fossil fuel generation efficiency standard in PURPA § 111(d)(13), which would require utilities to “develop and implement a 10-year plan to increase the efficiency of its fossil fuel generation.” Currently, NWE owns no generation resources. To the extent NWE acquires and places in its rate-base fossil fuel generation facilities, consideration of efficiency upgrades when planning for future resource needs is required by the laws and rules governing default supply resource planning and procurement. For MDU, the Midwest Independent System Operator (MISO) wholesale energy market provides market incentives to optimize the efficiency of generation resources. MDU must also consider efficiency upgrades to fossil fuel generation facilities under the Commission’s electric least-cost planning rules.

47. The Commission will defer consideration of the smart metering standard in PURPA § 111(d)(14) until the next cost-of-service rate case for each jurisdictional utility. The information in the record is not sufficient to reasonably determine long-run costs, benefits and policy implications of the federal smart metering standard. Rate cases provide intervenors and the Commission an opportunity to carefully examine technical issues related to implementing a smart metering standard. Additionally, rate cases provide the discovery and due process needed to implement just and reasonable time-differentiated rates for each class of customers. Implementing smart metering programs will undoubtedly require rate design and tariff changes as well as a thorough study of each utility’s incremental costs and each customer class’s cost responsibility. The Commission finds it cannot adopt the federal smart metering standard without an evidentiary record supporting its cost-effectiveness. The Commission notes that MDU’s assertion that adoption of the smart metering standard would require it to offer Time of Use Pricing, Critical Peak Pricing, and Real-Time Pricing to all of its electric customers is in error. The federal standard requires that customers be offered a time-based rate schedule but does not mandate any particular type of pricing. The three pricing methods mentioned by MDU are non-exclusive

examples of time-based rate schedules that will satisfy the standard. The Commission also notes that it intends to seek statutory changes that would authorize it to require jurisdictional utilities to regularly file rate cases. If enacted, these statutory provisions would further assist the Commission in examining policies, such as smart metering, which require the kind of scrutiny rate cases provide.

48. The Commission will defer a determination on applying the federal interconnection standard (PURPA section 111(d)(15)) to both NWE and MDU until after a technical workshop. The Commission intends to host a technical workshop to facilitate discussion and gather technical information regarding the merits of adopting the federal interconnection standard for interconnections performed by jurisdictional utilities. Both NWE and MDU indicate in their comments that the Commission should reject IEEE 1547 because it is not specific enough to address all of the technical requirements necessary to perform interconnections on their systems. However, both NWE and MDU also indicate that their current interconnection standards incorporate the substance of the federal interconnection standard.

49. A technical workshop will also provide a forum to discuss the merits of requiring jurisdictional electric utilities to file their interconnection standards with the Commission as part of their tariffs.

CONCLUSIONS OF LAW

1. The Commission is invested with the full power to supervise, regulate, and control public utilities. § 69-3-102, MCA.
2. Except as otherwise provided, the Commission is required to consider each federal standard and determine whether it is appropriate to implement each standard for each electric utility for which the Commission has ratemaking authority. 16 U.S.C. § 2621.
3. The Commission may undertake the consideration and make a determination with respect to any federal standard in a proceeding respecting the rates of an electric utility. 16 U.S.C. § 2622(a).

4. NWE and MDU are public utilities for which the Commission has ratemaking authority. §§ 69-3-101, 69-3-302, MCA.
5. The Commission is not required to consider the standard established in 16 U.S.C. § 2621(d)(11) with respect to NWE. 16 U.S.C. § 2622(d)(1).
6. The Commission may decline to implement any federal standard, 16 U.S.C. § 2621(c)(1)(B)

ORDER

1. The Commission defers determination of whether to adopt the standard established in 16 U.S.C. § 2621(d)(11) (net metering) with respect to MDU until after the conclusion of the 2007 regular session of the Montana Sixtieth Legislature.
2. The Commission determines that it is not appropriate to implement the standard established in 16 U.S.C. § 2621(d)(12) (fuel diversity) and declines to implement such standard for any jurisdictional electric utility.
3. The Commission determines that it is not appropriate to implement the standard established in 16 U.S.C. § 2621(d)(13) (fossil fuel generation efficiency) and declines to implement such standard for any jurisdictional electric utility.
4. The Commission defers determination of whether it is appropriate to adopt the standard established in 16 U.S.C. § 2621(d)(14) (smart metering) until the next general electric rate case for each jurisdictional electric utility.
5. The Commission defers determination of whether it is appropriate to adopt the standard established in 16 U.S.C. § 2621(d)(15) (interconnection) with respect to each jurisdictional electric utility. The Commission will convene a technical workshop on interconnection at a time to be determined later. NWE and MDU are ordered to participate in the technical workshop and cooperate fully by providing information to the Commission.

DONE IN OPEN SESSION at Helena, Montana on the 5th day of December, 2006, by a vote of 5 to 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

GREG JERGESON, Chairman

BRAD MOLNAR, Vice Chairman

DOUG MOOD, Commissioner

ROBERT H. RANEY, Commissioner

THOMAS J. SCHNEIDER, Commissioner

ATTEST:

Connie Jones
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806